

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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SECURITIES INVESTOR PROTECTION CORPORATION,	:
	:
Plaintiff-Applicant,	: Adv. Pro. No. 08-01789 (BRL)
	:
- against -	: SIPA LIQUIDATION
	:
BERNARD L. MADOFF INVESTMENT SECURITIES LLC,	: (Substantively Consolidated)
	:
Defendant.	:
	:

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In re:	:
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BERNARD L. MADOFF,	:
	:
Debtor.	:
	:

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IRVING H. PICARD,	:
	:
Plaintiff,	:
	:
- against -	: Adv. Pro. No. 10-05287 (BRL)
	:
SAUL B. KATZ, et al.	:
	:
Defendants.	:
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DECLARATION OF SAUL B. KATZ IN SUPPORT OF STERLING DEFENDANTS' MOTION TO DISMISS THE AMENDED COMPLAINT OR, IN THE ALTERNATIVE, FOR SUMMARY JUDGMENT

I, SAUL B. KATZ, declare pursuant to 28 U.S.C. § 1746, that the following is true:

1. I am a co-founder, President, Chief Operating Officer, and a partner of Sterling Equities (“Sterling”). Sterling, the partners of Sterling (“Sterling Partners”), our families, and certain Sterling-related trusts, charitable foundations, and entities are defendants (“Sterling Defendants”) in a lawsuit brought by the trustee (“Trustee”) for the liquidation of Bernard L. Madoff Investment Securities LLC (“BLMIS”). I submit this declaration in support of the Sterling Defendants’ motion to dismiss the complaint, or, in the alternative, for summary judgment.

Our Businesses

2. My brother-in-law, Fred Wilpon, and I started Sterling Equities in 1972 as a vehicle to invest in and develop real estate. We have always been, and continue to be, in the real estate business. In the early 1990s we partnered with American Securities Capital Partners to form the first of five investment funds that have invested in and managed real estate in 43 states.

3. In 1980 the Sterling Partners acquired an ownership interest in the New York Mets baseball franchise and became full owners in 2002. We remain full owners of the team today.

4. In 1985 the Sterling Partners made our first venture capital investment in Pathogenesis Corporation, a medical research company focused on treatments for cystic fibrosis. We continued to make, and still make today, venture capital investments.

5. In 2002 the Sterling Partners funded Sterling Stamos Capital, which later became Sterling Stamos Partners (“Sterling Stamos”), a hedge fund of funds in which we retained, and currently retain, a passive general partner interest.

6. In 2005 the Sterling Partners formed SportsNet New York (“SNY”), a regional sports network in the New York tri-state area, in partnership with Time Warner Cable and Comcast Corporation. We retain a controlling ownership interest in SNY today.

7. The businesses of the Sterling Partners have been extremely successful over the years, including before the first Sterling-related investments were made with BLMIS in 1985.

We Never Suspected Madoff

8. I was a customer of BLMIS for approximately 23 years until its collapse on December 11, 2008.

9. I understood Bernard L. Madoff (“Madoff”) to be a person of very high standing in the brokerage community. He was, among other things, chairman of NASDAQ and a pioneer in electronic trading. Madoff continued to be very prominent in the investment community throughout the time I was a customer. It was widely publicized in 2003 that he had entered into a joint venture with several Wall Street firms, including Goldman Sachs and Merrill Lynch.

10. At no time did I ever know or suspect that BLMIS was, or that Madoff was running, a Ponzi scheme.

11. Even in the weeks immediately before Madoff confessed, we continued to deposit millions of dollars with BLMIS. In fact, on the day that Madoff was arrested, but before the arrest was publicly known, one of our foundations wired \$1 million for deposit in its BLMIS account.

12. On December 11, 2008, the Sterling Defendants lost more than \$500 million in net equity when BLMIS collapsed.

No Warnings That Madoff Might Be Engaged in a Ponzi Scheme

13. At no time before December 11, 2008 did anyone advise me that BLMIS might be a fraud or a Ponzi scheme or that Madoff might be engaged in fraud or running a Ponzi scheme.

14. I have no recollection of anyone from Ivy Asset Management (“Ivy”) ever advising me of any concerns Ivy had about Madoff or that Ivy had withdrawn its proprietary investment with BLMIS.

15. I have no recollection of any consultant retained either by Sterling Stamos or Sterling ever telling me that he “couldn’t make Bernie’s math work and something wasn’t right.”

16. My wife and I were responsible for making the investment decisions for our family foundation (“Foundation”), including the decision to invest Foundation funds with BLMIS. As with all of my BLMIS accounts, Madoff had discretion and made all trading decisions for the Foundation’s account.

Sterling Is a Private, Family Partnership

17. In connection with Sterling Stamos’ registration as an investment advisor in and around 2005, it was expected that the amount of third-party funds invested through Sterling Stamos would increase. As a result, my Partners and I were concerned about having increased legal exposure to third-party investors when we did not have any securities investment experience and were not involved in the investment decisions at Sterling Stamos.


18. We were also concerned that registration as an investment advisor would require disclosure of all of our business and family investments and relationships.

19. Because my Partners and I did not want to be exposed to unnecessary legal exposure and because we wanted to maintain the privacy of our families' investments and business relationships, our relationship with Sterling Stamos was restructured to ensure that we could limit our liability and remain private.

20. The motivation behind the restructuring of our relationship with Sterling Stamos was not driven in any way by a desire to protect BLMIS or Madoff from regulatory scrutiny.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
March 19, 2011



Saul B. Katz